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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/491,388	01/26/2000	Robert Cadoux	99629	8477

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EXAMINER	
MILEF, ELDA G	

ART UNIT	PAPER NUMBER
3628	

DATE MAILED: 07/19/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

EA

Office Action Summary	Application No.	Applicant(s)	
	09/491,388	CADOUX, ROBERT	
	Examiner	Art Unit	
	Elda Milef	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *26 April 2005*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *27-39* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *27-39* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

1. Claim 27-39 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter because it does not claim the use of technology in the body of the claims. The basis of this rejection is set forth in a two-prong test of:

(1) whether the invention is within the technological arts; and

(2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" and therefore are found to be non-statutory subject matter. For a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts.

As to the technology requirement, note MPEP Section 2106 IV 2(b). Also note In re Waldbaum, 173USPQ 430 (CCPA 1972) which teaches "useful arts" is synonymous with "technological arts." The invention in the body of the claim must recite technology. If the invention is not tied to technological art, environment, or machine, the claim is not statutory. Ex parte Bowman 61USPQ2d 1665).

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

2. Claims 27-39 are rejected under 35 U.S.C. 103(a) as being unpatentable over Gordon S. Macklin et al., ("Going Public and the NASDAQ Market", The NASDAQ Handbook -1992 edition) in view of applicant's admitted prior art in the DESCRITPION OF THE BACKGROUND section in application 09/491,388.

Re claim 27: Macklin et al. disclose:

A method for offering shares of stock of a privately-held company in an initial public offering (SEE page 100 "Basic Offering Issues" SECTION and wherein it is well known that the NASDAQ market conducts its business over a computer network), comprising:

offering a first portion of the shares of the stock of the offering stage to investors at a first price; and offering the remainder of the shares of the offering to investors in separate portions over the subsequent one or more offering stages, (see page 103, second paragraph where the above features are completely disclosed; "Many companies have successfully pursued a "seasoning strategy (or a method)," which involves a small IPO (or a first portion) and, sometime afterward, a larger follow-on offering (or remainder of shares over subsequent stage(s)). This strategy can be particularly effective when the company's IPO valuation is under pressure because of difficult market conditions or because the company is not well known and is perceived as higher risk. The company can structure a small IPO at a conservative valuation (or a first portion) and allow the stock to become better known in the investment community. As the stock prices appreciate due to improving market conditions or as the company builds credibility with investors, the company can

structure a larger follow-on offering at a higher valuation" (or offering the remainder of shares of the offering to investors in separate portions over subsequent stages). Macklin et al. also discloses: "Centocor attracted strong demand from investors during the IPO and in several subsequent public offerings…") - see p. 101, para. 4.

wherein at least some communications regarding the offering of the shares over the offering stages are made via a computer network. (Inherent feature because business such as the trading of shares is conducted over a computer network at the NASDAQ market and federal security regulations require a company to prepare a offering memorandum before each offering), Macklin et al. do not directly show the details:

disclosing, prior to the offering, the number of shares to be offered in the offering, that the offering will occur in two or more successive offering stages, the number of shares to be offered in each offering stage, the amount of time between successive offering stages, and pricing information for the shares to be offered in each offering stage. However, Macklin does suggest the essential need for these above features, when he suggested that companies do offer small Initial Public Offering with the pre-intensions of later selling a larger secondary offering (SEE Macklin et al. page 103 "SEASONING

STRATEGY"). And in view of Applicants own admitted prior art wherein he teaches on page 3; "Rather, the share price for a secondary offering is contingent upon prior trading, and cannot be established by other pricing models such as the Dutch auction method." Moreover, federal security regulations **require** a company to prepare a second offering memorandum before the secondary offering.

It would have been obvious to one of ordinary skill in the art at the time the invention was made to disclose the number of shares to be offered, when the shares are to be offered, the amount of time between offering stages and pricing information for the subsequent portions prior to the offering as suggested by Macklin et al. because to do so would have been merely directed towards the "OBVIOUS INTENDED USE" of the Macklin et al. "SEASONING STRATEGY". For example a company who used the "seasoning strategy" would have been inherently capable of submitting the paper work for the initial and subsequent offerings at the same time to federal security regulators and the company would have been **motivated** to be up front about their intensions to use the "seasoning strategy" in an effort to avoid possible share holder investor law suits. In these required papers filed with the Securities and Exchange Commission (see Macklin pp. 110-115) in regard to the initial offering and the

subsequent offerings, the company would have been required to state "a pricing procedure" for the first portion sold which would have been some fixed price logically determined by some known means of the current estimated value of the company which is regularly done for an IPO. The terms of the securities to be sold by a company are disclosed prior to their sale to the SEC. The terms include for example, the number of shares, and pricing information.

Re claim 28: Macklin et al. does not specifically disclose:

price of the shares offered in at least one of the offering stages is to be determined, at least in part, according to a Dutch auction. As admitted by the applicant on pages 3 and 4 of the specification, the Dutch Auction method of pricing an IPO is old and well known in the art. Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to have modified Macklin et al. to include the Dutch Auction method in order to allow investors to set the price of the IPO by placing bids.

Re claim 29: Macklin et al. does not specifically disclose:

the pricing information includes that the price of the shares offered in at least one of the offering stages is to be

determined, at least in part, according to a direct public offering. It is old and well known in the art that direct public offerings have been used to determine the price of shares. Therefore, it would have been obvious to one having ordinary skill at the time of the applicant's invention to modify Macklin to include in the price determination the direct public offering in order to give companies another method of initiating a IPO.

Re claim 30: Macklin et al. disclose:

the pricing information includes that the price of the shares offered in at least one of the offering stages is to be determined, at least in part, according to a traditional IPO pricing. ("The list of specific factors that can affect valuation varies for each company as well over time. Factors such as earnings history, company size, market share, industry…all play a roles in the valuation of a company's stock…. During the IPO process, the investment banks must justify their valuation …")-see p. 105, para. 2.

Re claim 31: Macklin et al. disclose:

the pricing information includes that the price of the shares offered in an offering stage subsequent to the first offering stage is to be calculated based on, at least in part, a

trading price for the shares at the close of a prior trading interval. ("Many companies have successfully pursued a "seasoning strategy," which involves a small IPO and , sometime afterward, a larger follow-on offering...The company can structure a small IPO at a conservative valuation and allow the stock to become better known in the investment community. As the stock prices appreciate due to improving market conditions or as the company builds credibility with investors, the company can structure a larger follow-on offering at a higher valuation.") see p. 103, para. 2.

Re claim 32: Macklin et al. disclose:

the pricing information includes that the price of the shares offered in an offering stage subsequent to the first offering stage will equal a trading price for the shares at the close of a prior trading interval. (see pages 102- 104, in particular p. 103, para. 2. Macklin discloses that the seasoning strategy is used by companies in order to more accurately value the price of subsequent offerings. Once the first offering is made, the market will dictate what price it will pay for subsequent offerings. Therefore, if the initial offering price is what the market dictates for the second offering, then the first offering price will be equal to the second offering price.

Claims 33 and 34 has similar limitations found in claims 32 and 27-30 above and therefore are rejected by the same rationale.

Re claim 35: Macklin et al. disclose:

the number of shares offered in each offering stage is equal. Macklin discloses an example on page 103, para. 2, wherein the second portion is larger than the first portion there is no indication that this is required and "Offering sizes sometimes change during the IPO process in response to company developments and changes in the expected offering price." -see p. 104 , para. 2. Therefore making the number of shares offered in each stage equal is an obvious option. As per MPEP Section 2144.05 (I): In the case where the claimed ranges "overlap or lie inside ranges disclosed by the prior art" a prima facie case of obviousness exists. In re Wertheim, 541 F.2d 257, 191 USPQ 90 (CCPA 1976); In re Woodruff, 919 F.2d 1575, 16 USPQ2d 1934 (Fed.Cir. 1990).

Re claim 36: Macklin et al. disclose:

a trading interval between successive offering stages is one hour in duration. (SEE page 103 wherein the "seasoning

strategy" does not define any specific trading interval time between IPO and follow-on therefore one hour is within the range of obvious choices and note the papers on the theory of "under-pricing" cited in this action support this choice). The MPEP section 2144.05(I) Obviousness of Ranges states: In the case where the claimed ranges "overlap or lie inside ranges disclosed by the prior art" a prima facie case of obviousness exists. In re Wertheim, 541 F.2d 257, 191 USPQ 90 (CCPA 1976); In re Woodruff, 919 F.2d 1575, 16 USPQ2d 1934 (Fed.Cir. 1990).

Re claim 37: Macklin et al. disclose:

a trading interval between successive offering stages is one day in duration (SEE page 103 wherein the "seasoning strategy" does not define any specific trading interval time between IPO and follow-on therefore one day is within the range of obvious choices and note the papers on the theory of "under-pricing" cited in this action support this choice).

The MPEP section 2144.05(I) Obviousness of Ranges states: In the case where the claimed ranges "overlap or lie inside ranges disclosed by the prior art" a prima facie case of obviousness exists. In re Wertheim, 541 F.2d 257, 191 USPQ 90 (CCPA 1976); In re Woodruff, 919 F.2d 1575, 16 USPQ2d 1934 (Fed.Cir. 1990).

Re claim 38: Macklin et al. disclose:

wherein the time amount between each offering stage has the same duration (SEE p. 103, wherein the specific trading interval is not defined therefore making them all equal is within the realm of obvious possibilities and further what ever trading interval pre-determined would have been documented in the required paper forms to avoid negative actions by stock holders or regulators). The MPEP section 2144.05 (I) (Obviousness of Ranges) states: In the case where the claimed ranges "overlap or lie inside ranges disclosed by the prior art" a prima facie case of obviousness exists. In re Wertheim, 541 F.2d 257, 191 USPQ 90 (CCPA 1976); In re Woodruff, 919 F.2d 1575, 16 USPQ2d 1934 (Fed.Cir. 1990)

Re claim 39:

Macklin et al. do not specifically disclose:

prior to the first offering stage: auctioning shares of the stock to at least one potential subscriber; and awarding an allotment of the shares to the at least one potential subscriber at an auction price dependent upon a bid price of the at least one potential subscriber during the auctioning for a quantity of the shares. As admitted by the applicant on pages 3 and 4 of

the specification, the Dutch Auction method of pricing an IPO is old and well known in the art. Therefore, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to have modified Macklin et al. to include the auctioning shares of stock in order to allow investors to set the price of the IPO by placing bids.

Response to Arguments

3. Applicant's arguments with respect to claim 27-39 have been considered but are moot in view of the new ground(s) of rejection.

Conclusion

4. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Carey, Theresa W., *The Electronic Investor: IPO Dot.com? Not yet. Barron's*, Jan 10, 2000, Vol. 80, Iss. 2, p. 40. Cited for its reference to the Dutch auction as a method of pricing an IPO.

Perkins, Anthony B. *IPOs Go Dutch, and Small Investors Gain. Asian Wall Street Journal*, New York, NY: Dec. 31, 1999, pg. 8. Cited for its reference to an open IPO or the Dutch

auction. Potential investors set the price of an IPO by placing bids.

Seglin, Jeffrey L. *Take This Company Public. Inc.* Jan 2000, Vol. 22, Iss. 1; pg. 99, 1 pgs. Cited for its reference to the term "Direct Public Offering" (DPO) being introduced by Drew Field in 1991.

Elder, Laura. *Point, Click, Buy. Houston Business Journal.* Dec 17, 1999. Vol. 30, Iss. 30; pg. 16. Cited for its reference to direct public offerings (DPO).

David C. Mauer et al., "The Effect of the Secondary Market on the Pricing of the Initial Public Offerings : Theory and Evidence", JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS" (VOL.27, No 1 March 1992). This paper provides a theoretical and empirical investigation of the role of the secondary market in the pricing of initial public offerings. They derive a price differential in the primary and secondary markets that is consistent with the received notion of IPO under-pricing.

Gary D. Bruton et al., "Strategy and IPO Market Selection : Implications for the Entrepreneurial Firm", JOURNAL OF SMALL BUSINESS MANAGEMENT; Oct 1997 pages 1-10. This paper teaches, "entrepreneurs may not be incorporating the potential impact of ''under-pricing'' of stock into their IPO decision-making (page 1)", ''Under-pricing occurs when the offering price

for stock is below the price for which the stock trades subsequently in the immediate after-market (page 1)", "The increase in stock value in the after-market benefits the investor, not the firm (page 2)". "The missed opportunity to obtain the full resources of the IPO may inhibit the future growth of the firm (page 2)."

Christopher B. Barry et al., "The Opening Price Performance of Initial Public Offerings of Common stock"; FINANCIAL MANAGEMENT, (Spring 1993. Vol. 22, Iss, 1), This paper teaches; on page 2, para. 3 , "An alternative explanation leaves open the possibility of a large intraday return. Welch 30! develops the notion of informational cascades in which individuals ignore their private information and follow the behavior of the preceding individual. In the context of IPOs Welch's arguments suggest that an issue may be under-priced in order to induce decisions by early investors solicited to purchase a forthcoming IPO." Extending Welch's cascade arguments to the aftermarket suggest that those issues enjoying a larger than-average initial (offer-to-open) or early return would also enjoy a larger-than-average intraday return as investors attempt to "get on the bandwagon." Consistent with this view, evidence from experimental markets (e.g., Smith, Suchanek, and Williams 25!)

suggests a tendency for speculative bubbles to develop in early trading rounds using a double continuous-auction market-making scheme and allowing demand to be determined endogenously. And on page 5, para. 5, Barry et al. teaches; "Summing up, we find that the under-pricing of operating-company IPOs is a phenomenon that is largely restricted to the opening transaction. The under-pricing is almost entirely "corrected" by the market at the open. The price adjusts to an equilibrium value through the interaction of buyers with market-makers and dealers in a single transaction. That suggests one of two explanations. Either it is only necessary for market-makers and dealers to know a portion of the demand curve for the stock in order to establish an equilibrium price, or the process works (as the Walrasian auctioneer model suggests) in such a way that the price-based demands listed by secondary market investors enable market-makers and dealers to learn sufficiently from the resulting price that no further "correction" is needed in the market (at least to within ordinary transactions costs), on average."

(John Affleck-Graves) Conditional Price Trends in the Aftermarket for Initial Public Offerings. Financial Management. Tampa: (Winter 1996 Vol.25, Iss. 4; pg. 25, 16 pgs). This paper teaches; "This result is important for several reasons. First,

it provides additional evidence of trends in stocks prices. Second, many studies examining trends in stock prices document uni-directional trends following a public event. Our results are closer to those in the post earnings announcement drift literature in that they demonstrate, not only that short-term trends can follow public announcements, but that the direction of the trend can be conditional on the initial signal. Finally, for investors who obtain an initial allocation of shares at the offer price, our results suggest a profitable trading strategy. Specifically, for initially under-priced IPOs initial subscribers should hold their stock for at least one month (21 trading days) and possibly as long as three months after the offering. In contrast, for initially overpriced IPOs, initial subscribers should sell their issues as soon as possible in the aftermarket." See pgs. 25 and 26.

5. Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL.** See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this

action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

6. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Elda Milef whose telephone number is (571)272-8124. The examiner can normally be reached on Monday - Friday 9:15 am to 5:45 pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung Sough can be reached on (571)272-6799. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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